

## WRS no longer a 403(b) option

The Wisconsin Retirement System (WRS) is currently one of 7 investment providers in the UW TSA 403(b) plan.

The IRS Final 403(b) Regulations, which go into effect January 1, 2009, contain new reporting, accounting, and other requirements for investment providers. The Department of Employee Trust Funds (ETF), which administers the WRS, has determined it is unable to comply with these new requirements. ETF will therefore no longer accept WRS pre-tax 403(b) contributions as of January 1, 2009, when the new regulations go into effect.

Since this news came out, the University has received many questions from employees. Here are some of them:

**How long can I continue to contribute pre-tax to the WRS?** Pre-tax 403(b) contributions to the Wisconsin Retirement System can continue through 2008. All WRS 403(b) contributions will be stopped automatically after the last payroll in 2008.

**Does this affect my regular WRS retirement?** No. ETF is discontinuing only pretax 403(b) additional contributions. Everything else is continuing as before. For information on the WRS go to [www.uwsa.edu/hr/benefits/retsav/wrs.htm](http://www.uwsa.edu/hr/benefits/retsav/wrs.htm) or [etf.wi.gov](http://etf.wi.gov).

**Can I leave my 403(b) money in the WRS?** Yes. UW TSA WRS additional accounts will retain their tax-deferred status and continue to earn interest until you take a distribution. In order to access your WRS funds, you must have terminated all WRS employment.

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## TSA Review Committee News

The Tax-Sheltered Annuity Review Committee (TSARC) is a ten-member committee of faculty and academic staff appointed by the UW System president to provide oversight of the Program and advice on Program issues.

This fall the committee welcomes a new member – Robert Wolf, Professor of Finance at UW-La Crosse. Rob Wolf is completing Bob Carney’s term on the committee. Professor Carney, who served on the TSARC since 1994, retired this past spring from UW-La Crosse. Hearty thanks to Bob for his outstanding service to the committee and the University and best wishes in his new experiences and travels.

Professor Wolf has extensive background in personal finance and financial institutions, with special interest in risk assessment. Rob is a long-time TSA participant and considers it a great privilege to serve on the TSA

Review Committee, “especially,” he adds, “during this period of uncertain markets, when the committee’s work is as important as ever.” When asked about the current markets, Professor Wolf stressed, “During so much present uncertainty, most financial decisions should be forward looking.”

Three current members, Howard Erlanger, Professor of Law at UW-Madison, Kate Kelley, Director of Human Resources at UW-Platteville, and Donna Weber, interim Director of Human Resources at UW-Eau Claire, have graciously accepted to continue to serve and have been reappointed to three-year terms.

All members of the TSARC (listed on p. 2) welcome your comments and suggestions about the program. The TSARC will meet in Madison on November 14. This meeting is open to the public. Contact [rstephenson@uwsa.edu](mailto:rstephenson@uwsa.edu) for more information. ■

## Steady as she goes...

Yikes! For thrills and chills, the roller coaster rides in the Dells have nothing on the stock market of late. What a mess! In the October 2008 issue of the *Morningstar Fundinvestor*, Russell Kimmel writes that “September 2008 will go down as one of the worst months in the history of the U.S. financial system.” And October may be even worse. So what should a regular person – investing for the long-term – do??

### Don’t panic

Some may feel like cutting their losses by selling their stock funds and moving into money market or guaranteed funds, also called “cash.” But the time to move out of stocks was approximately a year ago, before the markets tanked. Not many investors realized that opportunity. Selling now means basically locking in your losses. According to an information paper from the State of Wisconsin Investment Board ([www.swib.state.wi.us/](http://www.swib.state.wi.us/)) on strategies it uses that see it through market downturns, “Sticking to a disciplined approach is especially critical during volatile markets and has proven to be the best strategy for investors... .” Medium or long-term investors who move into cash now may very well be making an emotional

decision rather than taking a disciplined approach. Financial professionals warn that because stock rallies are often brief, sudden, and unpredictable, by getting out of the market you could miss the market’s best days.

This is not to say that there are never good reasons to “sell.” A 2002 TSA Inve\$tor article listed the following good reasons to sell a fund:

- The fund has under-performed its peers for an extended period of time.
- The fund isn’t what you bargained for.
- Something significant about your life has changed.
- Your asset allocation has gotten out of whack.

Here are reasons NOT to sell:

- You are a committed long-term, buy-and-hold investor, willing to ride out rough patches with your investments.
- You truly believe in a fund you own and aren’t ready to abandon it at the first sign of trouble.
- Selling is a knee-jerk reaction to a setback in the stock market.

Instead of selling when the markets are down, many financial professionals suggest, “stay the course.”

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The **TSA Inve\$tor** is published semiannually in the spring and fall to provide information on investing, retirement planning, and University of Wisconsin retirement benefits. Contact your staff benefits office on how to participate in the TSA program.

Information, investment options, and returns are listed at the TSA Web site: [www.uwsa.edu/hr/benefits/retsav/tsa.htm](http://www.uwsa.edu/hr/benefits/retsav/tsa.htm)



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## TSA investment company news

**Dreyfus** is proud to announce the availability of online enrollment at [www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm](http://www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm). In November, Dreyfus will launch Dreyfus Retirement Plan Employee Access, a secure website specifically designed to allow you to open and manage your account more easily and efficiently.

Key benefits include access to account information and transaction history available 24 hours a day, 7 days a week and access to on-line retirement planning education and tools. If you have any questions about the website or on-line enrollments, you can contact a Dreyfus Retirement Specialist at 1-888-358-0910 weekdays from 8 am to 4 pm CST. You may also e-mail a representative at [custserv@dreyfus.com](mailto:custserv@dreyfus.com).

## Frequently asked questions

### I'm not in the TSA plan. Should I wait until the markets rebound to start contributing?

The TSA 403(b) plan has a full range of investment options to accommodate virtually every level of risk tolerance. If you are concerned about risk, there are very safe investments like TIAA-CREF's traditional fund that offer a guaranteed return (currently 4.5%). There are also a wide array of money market funds.

## TSA Program Highlights

In calendar year 2007, 11,420 UW employees contributed over \$77 million to our authorized investment options, a more than 3% increase over 2006. Accumulated assets increased by more than 5.6% in 2007 to \$1.6 billion. Contributions also increased substantially, although participation decreased very slightly from 2006.

As a percent of salary, our employees contribute generously at an average of more than 10.72% of salary. The average TSA contribution was about \$6,766; however, approximately 13.5% contributed \$1,000 or less to the plan. Although over 55% of our participants contributed \$5,000 or less, well over half of 2007 contributions came from slightly more than 20% of contributors who deferred over \$13,000 in the year.

On the whole, over 34% of WRS-enrolled employees participate in our program. Our largest populations continue to be in the 50–60 and 60–70 age brackets, with over 42% of each of those age ranges participating. Over 24% of our classified employees and approximately 40% of our unclassified employees are contributors to the TSA Program.

According to investment company reports, over 77% of all contributions were invested in equities funds, including insurance company variable sub-accounts. Of the total contributions by investment company type, over 43%

**T. Rowe Price** is pleased to report that in mid-November it will transition to a new record keeping platform within T. Rowe Price. This will result in enhanced quarterly statements, expanded services, and additional retirement-related guidance and education, – including online interactive calculators – for UW participants. UW TSA 403(b) participants who invest with T. Rowe Price should have received information about this change by the end of October.

**TIAA-CREF** has unveiled a new website specifically tailored to the University of Wisconsin TSA 403(b) plan – [www.tiaa-cref.org/uwsa](http://www.tiaa-cref.org/uwsa). The site provides information about the range of services and the funds available to UW TIAA-CREF participants, along with investment education, market news, and other resources. ■

If you do decide to invest in an equity fund, remember that when markets are down you are “buying low.” If you believe that the markets will eventually recover, this may actually be a very good time to begin investing.

The earlier you begin investing, the greater impact compounding will have on your investments. Put time on your side by starting now! Time is a precious resource that can never be replenished. ■

## ... and 2009 limits

of contributions were invested in mutual fund companies, almost 42% in TIAA-CREF, 13% in other insurance companies, and almost 2% in the Wisconsin Retirement System. These percentages continue a multi-year trend in the TSA Program away from insurance company investments and toward mutual funds and TIAA-CREF. For more information, see the 2007 TSA Annual Report online at our web site.

### 2009 Limits

You can participate in the 403(b) Program and contribute as little as \$8 bi-weekly or \$20 per month. The IRS has increased the maximum contribution in 2009 to \$16,500 – plus and additional \$5,500 if you are 50 or older for a total of \$22,000. If you have worked for the University for 15 years or more you may possibly also be eligible for a special service catch-up. Check with your benefits office to see if you qualify.

To increase your deferrals for 2009, simply fill out a new Salary Reduction Agreement, available from your benefits office or online at [www.uwsa.edu/hr/sra.htm](http://www.uwsa.edu/hr/sra.htm).

Even small savings can add up over time! If you're already in the program – think about increasing your contributions and make sure to tell a friend about the program. If you are not yet contributing to the UW 403(b) plan, take advantage of tax-deferred investing and sign up today! ■

## Steady

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As Warren Buffett (the richest person in the world according to *Forbe's* magazine's 2008 ranking) recently wrote in a New York Times editorial entitled, *Buy American. I Am.*,

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long-term prosperity of the nation's many sound companies make no sense. These businesses will indeed suffer earnings hiccups, as they always have. But most major companies will be setting new profit records 5, 10 and 20 years from now."

Buffett stressed that he could not predict the short-term movements of the stock market and didn't have the faintest idea whether stocks would be higher or lower a month – or a year – from now. "What is likely, however," he wrote, "is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turns up. So if you wait for the robins, spring will be over."

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"...instead of wincing when your fund sinks further, you can console yourself that you're getting an even better bargain than you did last month."

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## Use Dollar Cost Averaging

One of the advantages of investing in a 403(b) plan like ours is that, instead of trying to time the market, we contribute a set amount at regular intervals. Market timing – the idea of buying low and selling high – is very difficult, if not impossible, even for the experts. By investing on a regular schedule, you use dollar cost averaging. When the price per share is low, you buy more shares; when the price per share is high, you buy fewer shares. You end up buying more shares at a low price and fewer

## WRS

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**What are my options in the TSA 403(b) Plan?** There are 6 other investment companies in the UW TSA 403(b) plan. Other providers include Dreyfus, Fidelity, T. Rowe Price, TIAA-CREF, and the insurance companies, Lincoln National and RiverSource (Ameriprise). These investment companies continue to be part of our UW TSA Plan.

### How do I contribute to a TSA investment company?

This is a two-part process. You need to:

**1) Sign up with a company.** You may sign up online or print an application from the web site [www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm](http://www.uwsa.edu/hr/benefits/retsav/tsaenroll.htm). You may also contact the company for an application – contact information is on page 4 of this newsletter. When you sign up, you'll need to know what fund(s) you'd like to invest in. A list of individual investment options is available at [www.uwsa.edu/hr/returns.htm](http://www.uwsa.edu/hr/returns.htm).

If you need help, a company representative can assist you. There are also educational events at many UW institutions to provide information so you can choose a fund or to help you develop an asset allocation plan. See page 4 of the newsletter.

Events are also listed online at [www.uwsa.edu/hr/counsel.htm](http://www.uwsa.edu/hr/counsel.htm).

**2) Fill out a Salary Reduction Agreement (SRA)** to let the University know how much you'd like to contribute and what company to send it to. SRAs are available online at [www.uwsa.edu/hr/sra.htm](http://www.uwsa.edu/hr/sra.htm).

*TSA Invest*

at a high price. Your average cost is lower than the average market price.

Here's a chart to show you how it works:

	Regular Investment	Price Per Share	Shares Purchased
January	\$100	\$10.00	10.000
February	\$100	\$12.50	8.000
March	\$100	\$15.00	6.670
April	\$100	\$10.00	10.000
<b>Total</b>	<b>\$400</b>	<b>\$47.50</b>	<b>34.670</b>
Average Market Price		\$11.88	(47.50/4 months)
Average Cost		\$11.54	(\$400/34.670)

Of course, your average cost may be higher than the **current** market price if asset values decline. This is especially true if you get out of the market and stop purchasing mutual fund shares when the share price declines – or if you must take a distribution from equities when the market is down.

By investing a set amount of money automatically each monthly or bi-weekly pay period, "instead of wincing when your fund sinks further, you can console yourself that you're getting an even better bargain than you did last month," in the words of Mornigstar's Peter Di Teresa.

## Diversify

Diversification is a key component of a long-term investment strategy. Maintaining exposure to a mix of asset classes (stocks, bonds, and cash) and fund types can help reduce the overall risk to your portfolio. As you near the time you intend to begin taking distributions, having a portion of your account in investments not subject to market volatility can also offer some protection. Diversification helps cushion the impact of market swings but will not eliminate the risk of investment losses.

For more information, our TSA companies have useful articles and videos on their web sites. You can also talk with company representatives in person or on phone (schedule and telephone numbers, p. 4) to make sure your account is diversified. ■

**How many people are affected by this change?** Of the 11,420 contributors to the TSA plan in 2007, approximately 320 contributed to the WRS. Of these 320 WRS contributors, about 1/3 also contribute to another UW TSA company.

**Can I sign up for WRS after-tax additional contributions?** Yes. After-tax Additional Contributions are still accepted after 1/1/2009. You can contribute either via lump sum directly to ETF or from your paycheck. Since interest is credited on WRS accounts only once a year on January 1, and, in order to earn interest, moneys must have been with the WRS the *entire* previous calendar year, many people prefer to contribute with a check directly to ETF in December of the year. To sign up for after-tax contributions from your paycheck, see your staff benefits office.

**What are the advantages of pre-tax contributions?** Your pre-tax contributions reduce your taxable income, and sometimes contributing to a pre-tax account may even put you in a lower tax bracket, saving you more money in taxes. Also, in a tax-deferred investment like the UW TSA 403(b) Plan, you get to keep and invest the tax money you would otherwise owe each year. The extra dollars produce more earnings.

The UW TSA 403(b) Plan is a very low-cost, convenient, and easy way to save for your long-term goals with some great investment choices. Saving for retirement is important – especially with longer life expectancies and increased health insurance costs. ■

**Individual Counseling**

Would you like to sign up for the program or make some adjustments in your investments but aren't sure how? These *free* sessions are here for you! Other sessions may be scheduled. Check our web site at [www.uwsa.edu/hr/benefits/retsav/tsa.htm](http://www.uwsa.edu/hr/benefits/retsav/tsa.htm).

**TIAA-CREF** – Sign up on the web site at [www.tiaa-cref.org/moc](http://www.tiaa-cref.org/moc) or call Dianne at 1-800-877-6602 (River Falls & Stout) or Leslie at 1-800-842-2005 ext. 5651 (other campuses).

- Madison – October 29–31, December 3–5
- Milwaukee – November 10
- River Falls – November 19
- Stout – November 18
- Whitewater – November 5, 24 & 26

TSA events are free and open to all UW employees and their families.

**UW TSA 403(b) workshops**

**Getting Started in the TSA Program:  
Cut Taxes Today & Invest for the Long-term!**

Learn about the TSA 403(b) Program—your voluntary retirement savings plan—and the basics of investing from TSA staff.

**Madison – October 28, 3:00 pm; December 12, 11:00 am**  
21 N. Park St., Room 5045. Registration required.

Free campus bus #85 drops you right at the door. For information call 262-5650 or 262-5564 or e-mail [benefits@ohr.wisc.edu](mailto:benefits@ohr.wisc.edu).

**Parkside – October 29, 11:00 am & 2:00 pm**  
Molinaro Hall, Room 165

**Whitewater – November 6, 9:30 am**  
University Center, Room 264

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**UW TSA 403(b) Investment Company Contacts & Program Fees**

	UNIVERSITY FEE	\$9.00 per year, deducted from payroll when you join the Program and in early March each year thereafter.		
	COMPANY	ANNUAL FEE	SURRENDER/REDEMPTION CHARGE	MORTALITY/ RISK CHARGE
<b>Insurance Cos.</b>	<b>Ameriprise/RiverSource</b> 877-640-6894 <a href="http://www.ameriprise.com">www.ameriprise.com</a>	<b>\$30</b> New contract only: Waived for accounts over \$50,000	CRA Select contract: 7% years 1-3; declining to 0% in year 9 RAVA contracts: 7% years 1-3, thereafter 0%. Contracts issued after 1-1-2008 have no surrender charge.	Old contract 1.00% New contract 1.10% ----- 2008 contract <b>1.25%</b>
	<b>Lincoln National Life</b> 608-231-2231 or 800-967-2046 <a href="http://www.lfg.com">www.lfg.com</a>	None	Old Contract: 8% for 5 years; then 4% for 3 yrs; then 0% New Contract: 6% yrs 1-3, declining 1% per year to 0% in yr 9. Contracts issued after 1-1-2008 have no surrender charge.	<b>1.002%</b>
	<b>TIAA-CREF</b> 800-842-2776 <a href="http://www.tiaa-cref.org/uwsa">www.tiaa-cref.org/uwsa</a>	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	.005% (Included in the expense ratio)
<b>Mutual Fund Cos.</b>	<b>Dreyfus</b> 800-358-0910 <a href="http://www.dreyfus.com">www.dreyfus.com</a>	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	n/a
	<b>Fidelity</b> 800-343-0860 <a href="http://www.fidelity.com/atwork">www.fidelity.com/atwork</a>	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. Fidelity Select Funds have a standard short-term redemption fee. See prospectus for details.	n/a
	<b>T. Rowe Price</b> 800-492-7670 <a href="http://rps.troweprice.com/wisconsin">rps.troweprice.com/wisconsin</a>	None	No surrender charge. Certain funds have a short-term trading fee – a redemption charge on shares held less than a minimum period. See prospectus for details.	n/a
	<b>Wisconsin Retirement System</b> 608-266-3285 or 877-533-5020 <a href="http://etf.wi.gov">etf.wi.gov</a>	None	<b>Contributions no longer accepted as of 1-1-2009</b> No withdrawal or transfer permitted before employment terminates; after termination – no surrender charge.	n/a